

# WORKING PARTNERSHIPS USA

## WORKING PARTNERSHIPS USA COMMENTS ON APPLICATION OF LIVING WAGE POLICY TO NON-PROFIT CONTRACTORS

### FUNDAMENTAL APPROACH: A NEED FOR BALANCE AND FAIRNESS

The concept of a Living Wage deserves the support of non-profit organizations that receive contracts from Santa Clara County. It is neither ethical or practical for organizations to pay hard working employees less than is needed to cover a household's basic bills – less than is needed to “live” – in this high cost valley. No reductions in the cost-of-living are granted to families simply because their breadwinner is not employed by a for-profit enterprise. Assisting people with this challenging economic struggle is, in fact, part of the core mission of many non-profits – to their credit. Moreover, failing to pay a Living Wage usually shifts the cost of sustaining a household to the public sector, often to the county, thereby reducing the resources available to provide important services.

At the same time, it is both ethical and practical to recognize that non-profits are in numerous ways different than for profit entities. Non-profits may have virtually no ability to increase revenues to pay for increased labor costs. Non-profits are often providing services to highly vulnerable constituencies who will suffer if uncompensated requirements lead to service reductions. In addition, non-profits use their revenues to improve service and develop needed infrastructure, not to reward shareholders and investors.

The combination of the above factors leads to the conclusion that balance is required when applying the Living Wage Policy to the Non-Profit Sector. Some specific components of a balanced approach are noted below. The list is suggestive, not exhaustive.

### SPECIFIC ELEMENTS OF A BALANCED STRATEGY

- 1) In those cases where increased labor costs resulting from the Living Wage policy would require that non-profits reduce services, the County should increase its funding amounts for these non-profits by an amount equal to the additional Living Wage expenses.
- 2) The Living Wage Policy for non-profits should be phased in over a two-year period.
- 3) The credit for health insurance should be structured to allow non-profits to offer other benefits, such as retirement contributions or superior health coverage, and receive an offset against the wage level set for employers that do not provide benefits. Credit should be made available only when the benefit actually involves higher costs to the non-profit, and the employee is able to take advantage of the benefit.
- 4) Non-profits should be allowed to apply for a hardship exemption in cases where the application of the Living Wage policy is not practicable. For some categories of non-profits, such as programs that are largely residential, the hardship may be presumptive; non-profits in that

category would receive the exemption unless additional information is presented that questions the necessity and reasonableness of doing so.

- 5) If non-profits pay Living Wages before they are required to do so or are eligible for hardship exemptions and still offer the Living Wage, they should be eligible for additional incentive points when their response to county RFP's is evaluated.